



The Netherlands: Fashion Industry

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Summary

The Netherlands' strategic location, the relative ease of doing business, a high level of proficiency in English, and its world-class and user-friendly transportation and distribution infrastructure make it an ideal market and European operations location for U.S. apparel suppliers. The country is an excellent base for U.S. fashion companies wishing to set up or expand their European operations. In particular, they can take advantage of the fact that the Netherlands is a major hub, re-exporting up to 30 percent of its imports to the rest of Europe and beyond. The Netherlands represents not just a good market in its own right, but also a useful springboard into other markets in Western Europe. The Netherlands' many logistics service providers make it an attractive location for clothing and footwear distribution centers. The Netherlands participates in the international fashion market because of the Dutch affinity for international influences with regard to fashion and trends.

Market Demand

Market Size

The largest segment in the Dutch fashion industry is women's apparel, valued at \$3.5 billion in 2004. Sales of men's apparel was valued at \$2.2 billion, followed by sportswear and other apparel (\$2.1 billion), body wear (\$2 billion), babies' and children's apparel (\$1.4 billion) and general textiles (\$510 million).

The market is reasonably stable, with the number of retail stores growing slightly. In 2004 the Dutch fashion industry counted 15,120 apparel stores. Revenue in outerwear reached a value of \$7.1 billion in that same year. The largest segment in terms of the number of stores is the segment selling a combination of women's, men's and children's apparel. Jeans stores and sportswear stores also belong to this segment.

	Stores
Women's apparel	4,980
Men's apparel	1,520
Children's apparel	1,180
Women's, men's and children's apparel	5,450
Body wear	820
Textile 'supermarkets'	1,170
TOTAL	15,120

Source: ING Sectorstudie Mode November 2005

The stores mentioned in the table above (except the textile 'supermarkets') are called specialized shops. Department stores and textile 'supermarkets' are the most important non-specialized sales channels. The largest textile 'supermarket' chains are Zeeman TextielSuper (479 stores) and Wibra (200 stores). Department stores are also of significant importance in terms of apparel sales. Depending on the product category, their market share ranges between 10 and 25 percent. The Netherlands' largest non-food retail concern, Vendex KBB, exploits three major department stores: HEMA (305 stores), the Bijenkorf (12 stores) and Vroom & Dreesmann (V&D) (67 stores). Other apparel sales channels in the Netherlands are mail order companies, the Internet, and street markets. There is an increase in apparel being sold through other, non-apparel channels like supermarkets and drugstores.

Competition

Competition among fashion companies (retailers and suppliers) is strong. It has become more difficult to analyze and predict consumer behavior. The Dutch consumer is well informed, price sensitive, changeable in spending habits, and more conscious about when to purchase or not. Consequently, store and brand loyalty is decreasing, and clothing from very different segments is combined; consumers buy both discount and designer labels.

Logistics & Distribution

Many companies have reduced the length of their logistical chains, thus improving versatility in order to cope with changing consumer attitudes. Sales cycles have been shortened to limit the effects of the uncertainty whether a collection will meet with approval of the buying public. The number of collections has grown, resulting in shorter production and sales cycles. Leading labels such as Calvin Klein, Timberland, Donna Karan NY, Dockers and Ecco have Dutch logistics operations. They entrust their European distribution centers to specialist Dutch logistics service providers, because they know that logistics and distribution are the Netherlands' core business.

Dutch Fashion

From a commercial point of view, Dutch fashion is very strong. A number of Dutch fashion labels have been active internationally for years. Commercially successful international Dutch brands include Mexx, Turnover, Oilily, G-star and Gsus.

Market Data

Although the Netherlands had a strong tradition of textile production and craftsmanship, the market consists of partial outsourcing companies with the design and sales & marketing occurring in-house. As a result of increasing labor costs, actual production takes place in other countries. Only design is created domestically.

Production has transferred to countries in Asia, including China, India and Thailand; and to Southern European countries, including Spain and Turkey. Almost all apparel sold in the Netherlands is imported from abroad. In 2004 an amount of \$4.5 billion was exported, which can almost entirely be attributed to re-exports. The European Union accounts for 92 percent of Dutch clothing exports. Neighboring countries are the largest markets, with roughly 32 percent of exports going to Germany, for example. In the same year, almost \$7.2 billion worth of apparel was imported into the Netherlands. Clothing imports from the U.S. have decreased over the past years, also as a result of increasing imports from China. But, after six years of falling numbers, in 2005 imports from the U.S. increased again.

<i>Year</i>	<i>Imports from the U.S.</i>
2003	\$23.5 million
2004	\$22.4 million
2005	\$28.9 million

Source: Statistics Netherlands

Best Prospects

A number of best sales opportunities can be identified for U.S. companies wanting to penetrate the Dutch clothing market.

Recently, men have been showing an increased interest in their appearance. Men tend to care more about what they wear and shop for clothes themselves more often instead of their spouses shopping for them.

A growing trend in the Dutch clothing industry is sporting and casual apparel. Formal wear is nowadays increasingly being replaced by casual clothing. The casual clothing market is, however, constantly changing. What is "in" today can easily be out of fashion tomorrow. Sporting apparel is not only worn for sports, but more and more in leisure time as well.

Almost half of Dutch women have a preference for inexpensive and trendy clothing. This is not only caused by a stagnating economy, but also by a lack of experimentation with clothing.

U.S. companies that want to target certain niche markets would find good sales opportunities with apparel for young immigrants. This group tends to be prestige-minded and eager to buy.

Jeans continue to be popular. Over the past years jeans sales have been increasing constantly and demand is expected to grow even further. A remarkable development is that seniors have spent 22 percent more on jeans than in previous years.

The hip-hop industry is important in the Netherlands. Good sales opportunities can be identified for U.S. suppliers of hip-hop / urban street wear and sports wear.

Key Suppliers

Recent research into apparel brand recognition in the Netherlands came to some interesting conclusions. The following tables give an overview of voluntary and assisted brand reputation of women's, men's and children's brands.

5 Best known women's apparel brands	Brand recognition
1. Mexx	44%
2. Esprit	44%
3. Hennes & Mauritz	17%
4. Vero Moda	16%
5. Miss Etam	14%

Source: Textilia #3 January 2006

It is remarkable that not only brand names were mentioned, but also names of chains were mentioned and considered as brands.

5 Biggest men's apparel brands	Brand reputation
1. Mexx	78%
2. Esprit	72%
3. McGregor	71%
4. Gaastra	50%
5. Arrow	46%

Source: ING Sectorstudie Mode November 2005

5 Biggest children's apparel brands	Brand reputation
1. Mexx	91%
2. Diesel	89%
3. Esprit	86%
4. Oilily	80%
5. Salty Dog	75%

Source: ING Sectorstudie Mode November 2005

In general, all major U.S. apparel brands like Tommy Hilfiger, Calvin Klein, Nike and Quicksilver are available in the Netherlands. Mexx, originally Dutch, but since 2001 a subsidiary of the U.S. apparel company Liz Claiborne, is the best known and best recognized apparel brand in the Netherlands.

Prospective Buyers

Annually, Dutch consumers spend between \$9.5 and \$11 billion on clothing. In 2004, total consumer expenditure was \$10 billion, about \$620 per consumer, which is over 2 percent less than in 2003. The decrease is mainly caused by the fact that consumers tend to purchase cheaper clothing. Besides drops in prices and extended sales, people often buy in low-end segments. The Netherlands has become an inexpensive shopping country as a result of the price decreases. Eurostat research shows that prices of apparel and footwear are approximately 11 percent lower than in other European countries.

	<i>Customer expenditures</i>	<i>Per household</i>
Women's apparel	\$3,483 million	\$490
Men's apparel	\$2,213 million	\$312
Body fashion	\$2,046 million	\$288
Baby and children's appa	\$1,413 million	\$199
Sportswear	\$2,124 million	\$299
General textiles	\$510 million	\$72
Total	\$11,789 million	\$1,661

Source: HBD Branches in Detail 2005

Market Entry

The Dutch are traders by nature. The Netherlands has a variety of experienced importers, sales agents, and distributors well versed in international trade. Importers who purchase for their own account and distribute throughout the country and Europe handle a large portion of the goods. Because of the size, accessibility, and competitive nature of the Dutch market, importers usually insist on an exclusive distributorship. If the importer is a well-qualified and experienced firm, an exclusive distributorship often yields the best results. Wholesalers constitute an important segment of importers doing business in the retail sector. They are the primary source of supplies for small- and medium-sized retail outlets, which often find it impractical to buy directly from manufacturers who usually require large orders. A Dutch representative can often provide an excellent starting point for exporting to other European markets. Dutch firms are adept at handling logistics, linguistics, adaptations, and inventory on behalf of U.S. exporters.

Since the Netherlands represents a compact market, foreign firms customarily have one exclusive representative for the entire country, but it is common for the representative to appoint subagents to cover certain sectors of the market if sales volume and profit margin warrant this. U.S. fashion companies should consider warehousing in the Netherlands for speedy supply and service of their Dutch and European customers.

In order to succeed, U.S. firms need to consider the following strategies:

- **Advertising** - A key factor in establishing a new brand in the Netherlands is to have an adequate advertising budget. A foreign company should be able to promote its image effectively and thoroughly. An effective advertising strategy will use various media outlets (television, print press and outdoor postings on buildings, buses, etc.).
- **Price** - Pricing is also one of the key factors. If prices are competitive, U.S. manufacturers will be able to penetrate the Dutch fashion market more successfully, including via mail order direct to the consumer.
- **Credit/Delivery Terms** - Another important factor is the ability to offer credit terms and reorder services similar to those of Dutch competitors. A European warehouse is an additional advantage in meeting short-term delivery requirements.

- Adaptability - U.S. companies should be able to anticipate fashion trends in order to adapt their products.
- Participate in a trade show – Trade shows provide an invaluable opportunity to gauge fashion trends and observe the particular characteristics of the market. In addition, the U.S. company will have good opportunities to meet with Dutch and foreign potential partners.
- Textile characteristics: Major fiber manufacturers are developing the textiles of the future by seeking to achieve certain effects through the creative use of fabric.

Opportunities & Threats

Opportunities	Threats
<ul style="list-style-type: none"> - Put the consumer first - Partnerships in the distribution chain - Professionalize logistics and automation - Demographic changes (aging population, increase young immigrants) - Strengthening of own brands - Internationalization - New channels (Internet, outlets) - Clear positioning (consistency between collections and target group) - More training/education store staff 	<ul style="list-style-type: none"> - Large number of suppliers and staggered market growth - Demographic changes - Decreased significance of apparel in terms of expenditure - Increase in new-to-markets, including suppliers from other industry sectors - Stock out of fashion more quickly - Decreased accessibility - Limited higher educated staff in the fashion industry

Market Issues & Obstacles

Quotas and Tariffs

Textile trade between the United States and the Netherlands is not subject to quotas, i.e., there are no quotas on textile and apparel products made in the United States. Because the European Union is a signatory to the WTO Agreement on Textiles and Clothing (ATC), all quota restrictions for WTO members were terminated as of January 1, 2005. Consequently, textile and apparel imports from China have increased significantly. Continuous requests from South European textile manufacturers for new protective measures resulted in the implementation of new quota restrictions in June 2005. The new quotas have been requested for sweaters, t-shirts, blouses, stockings and socks, bras, men's trousers and women's coats, and will be valid until the end of 2007. Total exports of apparel and textiles from China to the European Union increased by 45 percent in the first three quarters of 2005. However, this boost was mainly caused by increases in the 35 liberalized categories. In addition, a strong price decrease was established in these categories. Even though a lot of countries feared that the European market would be flooded with inexpensive Chinese clothing, in practice it is not as bad as expected. Interestingly, even countries like the U.S. and Turkey, who were apprehensive about unfair competition, have seen their textile and apparel exports into Europe grow.

The EU Regulation 2200/2004 sets out the rules for importing textiles from third countries. For a copy of the Regulation, go to: http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2004/l_374/l_37420041222en00010028.pdf

Duty rates on textile and apparel products made in the U.S. are subject to the EU's Most Favored Nation rate (MFN). The overall average MFN tariff rate for textile and apparel products is 9 percent. For the current MFN duty rates see: http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2004/l_327/l_32720041030en00010877.pdf

Import License

U.S. companies exporting textile products do not need an import authorization for the EU. Import authorizations are only necessary for products originating in countries subject to EU quotas. Competent authorities in the EU Member States grant import authorizations to the importer of the textile products. One license is valid throughout the EU.

Customs

Commission Regulation 2454/93 (Community Customs Code) is the basic legislation governing imports and customs for the entire EU. However, the ultimate authority regarding products imported into the EU is the customs authorities in the Member States. The customs treatment of textile and clothing imports to the EU depends on the country of origin. The importer is liable for payment of customs duties. More information can be found at: http://europa.eu.int/comm/taxation_customs/customs/customs_duties/rules_origin/index_en.htm

Taxes

Value-added tax (VAT) rates are charged on clothing in the individual EU member states. In most cases, these rates are the standard rates (reduced rates may be applicable in certain member countries for children's clothing). For the Netherlands, there is a standard VAT rate of 19 percent. The importer is liable for payment of VAT. For more information see: http://europa.eu.int/comm/taxation_customs/taxation/vat/index_en.htm

Labeling Requirements

In the Netherlands, textile and apparel products must have labels that provide information on fiber content. Care labeling is not mandatory. Eco-labeling also is not mandatory, however, products must meet certain ecological criteria in order to include such labels. For more information on fiber content labeling:

<http://europa.eu.int/comm/enterprise/textile/intlmarket.htm>

For more information on the European "Eco-label": <http://www.eco-label.com>

Trade Events

Event name: FashionUnited Event

Date: April 10, 2006

Location: Amsterdam, the Netherlands

Website: <http://www.evensis.nl/fashionunitedevent/>

Event name: District | The 5 star international trade event for new luxury brands

Date: TBD

Location: Amsterdam, the Netherlands

Website: <http://www.amsterdamdistrict.com>

Event name: Modefabriek | Bi-annual Dutch fashion trade fair

Date: July 30-31, 2006

Location: Amsterdam, the Netherlands

Website: <http://www.modefabriek.nl>

Event name: kleine fabriek | Children's fashion and style trade fair

Date: July 9-10, 2006

Location: Amsterdam, the Netherlands

Website: <http://www.kleinefabriek.nl/media/totaaleng.htm>

Event name: Amsterdam International Fashion Week
Date: July 26-31, 2006
Location: Amsterdam, the Netherlands
Website: <http://www.amsterdamfashionweek.com>

Event name: World Fashion Centre
Date: permanent, open 24/7
Location: Amsterdam, the Netherlands
Website: <http://www.worldfashioncentre.nl>

Resources & Key Contacts

Modint; trade association for fashion, interior design, carpets and textiles
Website: <http://www.modint.nl>

HBD (Hoofdbedrijfschap Detailhandel); knowledge center and sector assistance to the Dutch retail sector
Website: <http://www.hbd.nl>

Foundation Revolving Fund Dutch Catwalk
Website: <http://www.dutchcatwalk.com>

CBS (Statistics Netherlands)
Website: <http://www.cbs.nl>

Eurostat; detailed statistics on the EU and candidate countries
Website: <http://epp.eurostat.cec.eu.int>

Mitex; trade association for entrepreneurs active in the fashion, shoe and sports sector
Website: <http://www.mitex.nl>

Amsterdam International Fashion Week
Website: <http://www.amsterdamfashionweek.com/>

Dutch Fashion Foundation
Website: <http://www.dutchfashionfoundation>

U.S. Department of Commerce Office of Textiles and Apparel
<http://otexa.ita.doc.gov/>

European Commission DG Trade's textile website
<http://trade-info.cec.eu.int/textiles/index.cfm>

European Commission DG Enterprise's textile website
<http://europa.eu.int/comm/enterprise/textile/index.htm>

European Commission's SIGL database
<http://sigl.cec.eu.int/query.html>

European Commission Study on the Implications of the 2005 Trade Liberalization in the Textile And Clothing Sector
http://www.europa.eu.int/comm/enterprise/textile/documents/ifm_final_report_2005.pdf

Textiles and Clothing after 2005 –Recommendations of the High Level Group for textiles and clothing
http://www.europa.eu.int/comm/enterprise/textile/documents/com2004_668en.pdf

European Commission High Level Group on Textiles and Clothing
http://www.europa.eu.int/comm/enterprise/textile/high_level_group.htm

American Textile Manufacturers Institute
<http://www.atmi.org>

The European Apparel and Textile Organization
<http://www.euratex.org>

For More Information

The U.S. Commercial Service in The Hague, the Netherlands can be contacted via e-mail at:
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<http://www.buyusa.gov/netherlands/en/>

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